

## **INFORMATION BULLETIN #87**

### **INCOME TAX**

**JANUARY 2003**

**(Replaces Information Bulletin #87 dated August 1997)**

**DISCLAIMER:** Information bulletins are intended to provide nontechnical assistance to the general public. Every attempt is made to provide the information that is consistent with the appropriate statutes, rules and court decisions. Any information that is not consistent with the law, rules or court decisions is not binding on either the department or the taxpayer. Therefore, the information provided herein should serve only as a foundation for further investigation and study of the current law and procedures related to the subject matter covered herein.

**SUBJECT:** Historic Building Rehabilitation Tax Credit

**REFERENCE:** IC 6-3.1-16

### **INTRODUCTION**

There is an income tax credit available for the rehabilitation of historic property. The credit can be applied against the adjusted gross income tax.

### **Qualified Taxpayers**

The entities that can qualify for the credit include an individual, a corporation, an S corporation, a partnership, a limited liability company, a limited liability partnership, a nonprofit organization, or a joint venture. If a pass through entity is entitled to a credit but does not have state tax liability against which the credit may be applied, a shareholder, partner, or member of the pass through entity is entitled to a credit equal to the tax credit determined for the pass through entity for the taxable year multiplied by the percentage of the pass through entity's distributive income to which the shareholder, partner, or member is entitled.

### **Qualified Expenditures**

Qualified expenditures mean expenditures for preservation or rehabilitation that are chargeable to a capital account. The term does not include costs that are incurred to do any of the following:

1. Acquire a property or an interest in a property.
2. Pay taxes due on a property.
3. Enlarge an existing structure.
4. Pay realtor's fees associated with a structure or property.
5. Pay paving and landscaping costs.
6. Pay sales and marketing costs.

### **Qualification for the Tax Credit**

A taxpayer qualifies for the credit if all the following conditions are met.

1. The historic property is located in Indiana, at least fifty (50) years old, and owned by the taxpayer.
2. The division of historic preservation and archaeology of the Department of Natural Resources certifies that the historic property is listed in the register of Indiana historic sites and historic structures.
3. The division certifies that the taxpayer submitted a proposed preservation or renovation plan to the division that complies with the standards of the division.
4. The division certifies that the preservation or rehabilitation work substantially complies with the proposed plan mentioned above.
5. The preservation or rehabilitation work is completed in not more than two (2) years, or within five (5) years if the preservation or rehabilitation plan indicated that the preservation or rehabilitation is initially planned for completion in phases.
6. The historic property is actively used in a trade or business, held for the production of income, or held for the rental or other use in the ordinary course of the taxpayer's trade or business.

### **Limitation of the Tax Credit**

The qualified expenditures for the preservation or rehabilitation of the property must exceed ten thousand dollars (\$10,000). The tax credit is equal to twenty percent (20%) of the qualified expenditure that the taxpayer makes for the preservation or rehabilitation of the property. The total amount of all credits for all taxpayers for a fiscal year is limited to four hundred fifty thousand dollars (\$450,000).

### **Procedure to Claim the Credit**

The taxpayer shall claim the credit on the taxpayer's annual state income tax return. The taxpayer shall submit to the Department the certification approved by the Division of Historic Preservation and Archaeology within the Department of Natural Resources.

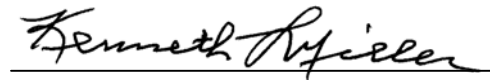
If the taxpayer's credit exceeds the liability for the taxable year for which the credit is first claimed, the excess may be carried over to succeeding taxable years, and used as a credit in those taxable years. The credit may be carried forward and applied to succeeding taxable years for fifteen (15) taxable years. A taxpayer is not entitled to a carry back or refund of any unused credit.

### **Recapture of Credit Claimed**

The historic building rehabilitation tax credit shall be recaptured from the taxpayer if:

1. the property is transferred less than five (5) years after completion of the certified preservation or rehabilitation work; or
2. less than five (5) years after the completion of the certified preservation or rehabilitation, additional modifications to the property are undertaken that do not meet the standards of the division.

If the recapture of a credit is required, an amount equal to the credit recaptured shall be added to the tax liability of the taxpayer for the taxable year during which the credit is recaptured.



Kenneth L. Miller  
Commissioner